

Message Text

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ACTION EUR-12

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USEEC

PASS TO OPIC

E.O. 11652: N/A
TAGS: EEC, OPIC, EFIN, EIND
SUBJECT: US/EC TALKS ON MINING RISK INSURANCE

1. OPIC VICE PRESIDENT CARYL COLE MET WITH EC COMMISSIONER DAVIGNON AND EC STAFF OFFICIALS JANUARY 19-20 TO DISCUSS STATUS OF EC INVESTMENT INSURANCE PLANS AND POSSIBLE US/EC COOPERATION IN THIS FIELD.
2. EC COMMISSION IS EXPECTED TO APPROVE AT ITS JANUARY 25 MEETING A FRAMEWORK PLAN FOR INSURANCE OF MINING INVESTMENT IN DEVELOPING COUNTRIES. IF COMMISSION APPROVAL IS FORTHCOMING THE SCHEME WILL BE DISCUSSED AT THE EC COUNCIL OF MINISTERS IN MID-FEBRUARY.
3. THE EC PLAN WOULD ENDEAVOR TO BOOST THE LEVEL OF MINING INVESTMENT IN LDC'S THROUGH GENERAL AGREEMENTS ON INVESTMENT PROTECTION INVOLVING THE HOST COUNTRIES, THE INVESTORS AND THE EC. THE APPROACH WOULD ON THE LIMITED OFFICIAL USE

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LOWEST LEVEL OF PROTECTION INVOLVE A BASIC AGREEMENT ON TREATMENT OF INVESTMENT WITHIN THE HOST COUNTRY. THE NEXT STEP WOULD PROVIDE INVESTMENT INSURANCE THROUGH PROJECT CONVENTIONS INVOLVING THE EC. THESE WOULD GENERALLY BE FOR INVESTMENTS IN WHICH THE EC HAD A SPECIAL INTEREST, E.G. RAW MATERIALS FOR EUROPEAN TRANSFORMATION INDUSTRIES. IN CASES WHERE THE HOST COUNTRY

ALREADY HAS A CLEAR AND STABLE SET OF RULES FOR FOREIGN DIRECT INVESTMENT, THERE MIGHT BE SPECIFIC PROJECT GUARANTEES OUTSIDE OF ANY GENERAL AGREEMENTS. BEYOND THIS COMMUNITY GUARANTEE THE COMMISSION PLAN WOULD SEEK TO INVOLVE INTERNATIONAL INSTITUTIONS SUCH AS THE IBRD IN THE PROJECTS AS A RISK-SHARING AND RISK-DETERRING MEASURE.

4. IT IS NOT YET CLEAR WHAT INSTITUTIONAL FORM THE EC MECHANISM WOULD HAVE. OPTIONS INCLUDE USING THE COMMISSION AS A KIND OF SECRETARIAT FOR A PROGRAM BASICALLY DESIGNED TO FILL GAPS IN MEMBER STATE PROGRAMS OR HAVING A RELATIVELY INDEPENDENT SERVICE WITHIN THE COMMISSION. TO MINIMIZE POSSIBLE OPPOSITION FROM MEMBER STATES WHICH ALREADY POSSESS INVESTMENT INSURANCE PROGRAMS - ESPECIALLY THE FRG - THE COMMISSION INTENDS ITS PLAN TO BE MORE OF A GENERAL POLITICAL STATEMENT THAN A BLUEPRINT. THE COMMISSION DOES NOT YET KNOW WHETHER THE PLAN WILL BE LIMITED TO REINSURANCE OR INCLUDE PRIMARY INSURANCE BUT STAFF MEMBERS BELIEVE THAT MORE THAN REINSURANCE IS NECESSARY SINCE NOT ALL MEMBER STATES HAVE INSURANCE PROGRAMS.

5. BECAUSE OF THE POLITICAL SENSITIVITY OF OIL INVESTMENT, OIL AND GAS WILL BE EXCLUDED FROM THE COMMISSION SCHEME ALTHOUGH URANIUM MINING WILL BE INCLUDED.
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6. THE COMMISSION STAFF ENVISAGES THAT A MINIMUM INVESTMENT LEVEL OF 50 MILLION DOLLARS WILL QUALIFY FOR EC INVESTMENT GUARANTEES, AND THAT ONLY ONE OR TWO PROJECTS WOULD BE SELECTED PER YEAR. IT IS ESTIMATED THAT AS MUCH AS 45 PERCENT OF THE INVESTMENT COULD BE COVERED UNDER THE SCHEME.

7. UNDER THE DISPUTE SETTLEMENT MECHANISMS OF THE PLAN THE COMMISSION WOULD INTEND TO USE THE POLITICAL WEIGHT OF THE EC EARLY IN THE PROCESS IN CASES WHERE PROJECT CONVENTIONS HAD BEEN REACHED BETWEEN THE EC AND THE HOST COUNTRY. PROVISION IS ALSO MADE FOR INTERNATIONAL ARBITRATION.

8. WHILE NOTING APPARENT DIFFERENCES BETWEEN OPIC AND EC PLAN ON COVERAGE AND POLITICAL INVOLVEMENT, COLE EXPRESSED OPIC STRONG INTEREST IN FUTURE COOPERATION WITH EC IN INSURANCE OF MINING INVESTMENT RISKS, AND OFFERED TO BE OF ANY ASSISTANCE TO COMMISSION IN THE ELABORATION OF ITS PLAN.

9. DAVIGNON SAID COMMISSION WANTED TO COOPERATE WITH
US ON THIS ISSUE AND SUGGESTED THAT EXPERT-LEVEL CONTACTS
COULD CONTINUE IN WASHINGTON AFTER COMMISSION RECEIVED
GO-AHEAD FROM COUNCIL TO FLESH OUT BARE BONES OF ITS
PROPOSAL. HINTON

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